

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 OES-07 DOE-11 SOE-02 TRSE-00 CU-04
INT-05 EB-08 COME-00 /108 W
-----087070 301418Z /40

R 300811Z JAN 78
FM USLO PEKING
TO SECSTATE WASHDC 9780
INFO AMCONSUL HONG KONG
AMEMBASSY PARIS
AMEMBASSY TOKYO

C O N F I D E N T I A L PEKING 0279

E.O. 11652: GDS
TAGS: ETRD CH FR
SUBJ: PRIME MINISTER BARRE VISIT TO PRC: COMMERCIAL ASPECTS

1. SUMMARY. BARRE VISIT APPEARS TO HAVE GIVEN A SIGNIFICANT BOOST TO PROSPECTS FOR FRENCH SALES OF MACHINERY AND EQUIPMENT TO CHINA. ALTHOUGH NO CONTRACTS WERE CONCLUDED AS A DIRECT RESULT OF THE PRIME MINISTER'S VISIT, THE CHINESE AGREED TO SEND TRADE DELEGATIONS TO FRANCE THIS YEAR IN RAIL TECHNOLOGY AND EQUIPMENT, TRUCKS, NUCLEAR POWER, THERMAL POWER, AND AGRICULTURAL PESTICIDES. IN ADDITION, VICE PREMIER KU MU (STATE COUNCIL MEMBER CONCERNED WITH ECONOMICS) HAS BEEN INVITED TO VISIT FRANCE AT A DATE TO BE FIXED LATER. THE TWO GOVERNMENTS SIGNED AN AGREEMENT WHICH PROVIDES A FRAMEWORK FOR COOPERATION IN SCIENCE AND TECHNOLOGY AND PURSUANT TO THIS AGREEMENT THE CHINESE EXPRESSED INTEREST IN EXCHANGING DELEGATIONS IN BIOLOGY, GEOLOGY, PHARMACOLOGY, AND AGRICULTURE. END SUMMARY.

2. FRENCH EMBASSY COMMERCIAL COUNSELOR CLAUDE GROULT BRIEFED USLO IN DETAIL ON JANUARY 27 ON THE
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COMMERCIAL ASPECTS OF PRIME MINISTER RAYMOND BARRE'S VISIT TO PRC.

3. BARRE'S PARTY INCLUDED FRENCH MINISTER OF FOREIGN TRADE ANDRE ROSSI AND SEVEN SENIOR EXECUTIVES REPRESENTING THE FOLLOWING LEADING FRENCH FIRMS: BERLIET (BERLIET (TRUCKS AND RAIL EQUIPMENT), LOYGUE (THERMAL POWER),

(NUCLEAR POWER; ALSO STEEL AND MACHINE TOOLS); TECHNIP (PETROCHEMICALS); SPEICHIM (PETROCHEMICALS); RHONE-POULENE (CHEMICALS, ESPECIALLY PESTICIDES); AND SNEA (PETROLEUM). NO NEW CONTRACTS WERE SIGNED AS A RESULT OF THE VISIT, ALTHOUGH REPS FROM HEURTY, WHO HAVE BEEN IN PRC SINCE DECEMBER, SIGNED A LARGE SPARE PARTS CONTRACT DURING THE BARRE VISIT FOR FERTILIZER PLANTS PREVIOUSLY SOLD TO CHINA. THE HEURTY REPS WERE NOT OFFICIALLLY MEMBERS OF BARRE'S PARTY.

4. GROULT SAID THE FRENCH INDUSTRIAISTS SUBMITTED ONLY ONE CONCRETE PROPOSAL--TO BUILD A LIGNITE-FUELED THERMAL POWER GENERATING STATION. HOWEVER, EACH BUSINESSMAN DISCUSSED HIS AREA OF INTEREST AND, AT CHINESE REQUEST, FRENCH AGREED TO PROVIDE MORE INFORMATION AND HOST CHINESE DELEGATIONS TO FRANCE IN THE FOLLOWING FIELDS: (A) RAILROAD TECHNOLOGY AND EQUIPMENT (ACCORDING TO AN AFP REPORT, THE CHINESE HAVE BEEN TESTING THE BERLIET ECO-3 LOCONOTIVE); TRUCKS (THE CHINESE EXPRESSED INTEREST IN BUYING TRUCKS, AS WELL S SEEING TRUCK MANUFACTURING FACILITIES); NUCLEAR POWER; THERMAL POWER; AND PESTICIDES.

5. MOST OR ALL THESE TRADE MISSIONS WILL TAKE PLACE IN 1978. THEY WILL BE HOSTED BY THE FRENCH GOVERNMENT.

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6. CONCERNING NUCLEAR POWER, CHINESE EXPRESSED INTEREST IN VISITING FRENCH FACILITIES AND IN ACQUIRING REPROCESSING TECHNOLOGY. THE CHINESE INDICATED THAT THEY WERE ALSO DISCUSSING NUCLEAR POWER WITH THE GERMANS AND AMERICANS. (COMMENT: WE ARE NOT AWARE OF ANY RECENT DISCUSSIONS BETWEEN CHINESE AND US FIRMS ON NUCLEAR POWER.) ADDITIONAL DETAILS ON NUCLEAR POWR FROM AMBASSADOR'S CONVERSATION WITH AMBASSADOR ARNAUD BEING REPORTED SEPTEL.

7. GROULT SAID MANY ASPECTS OF THE COMMERCIAL TALKS FOLLOWED UP ON FOREIGN TRADE MINISTER LI CHIANG'S VISIT TO FRANCE IN DECEMBER. DURING THAT VISIT, LI HAD PROPOSED A BARTER ARRANGEMENT; COAL FOR COAL MINING EQUIPMENT AND OIL FOR PETROLEUM EXPLORATION EQUIPMENT. DURING THE BARRE TRIP, THE FRENCH AGREED TO ACCEPT SAMPLES OF CHINESE CRUDE FOR ANALYSIS. HOWEVER, GROULT WAS SKEPTICAL THAT FRENCH WOULD BE ABLE TO BUY CHINESE PETROLEUM BECAUSE HE FELT IT IS TOO DIFFICULT TO REFINER DUE TO THE HIGH PARAFFIN CONTENT, AND TOO EXPENSIVE TO TRANSPORT. ACCORDING TO GROULT, A FRENCH BUSINESSMAN HELD DISCUSSIONS WITH THE CHINESE ON COAL PRIOR TO THE BARRE VISIT BUT THE

PRICE WAS "NOT INTERESTING." ALSO, GROULT DID NOT FEEL THAT THE PROSPECTS FOR FRENCH SALES OF MINING EQUIPMENT WERE PARTICULARLY FAVORABLE.

8. THE FRENCH HAVE AGREED TO HOST A VISIT TO FRANCE BY VICE PREMIER KU MU. NO DATE WAS SET, BUT IT WILL PROBABLY BE LATE 1978 OR EARLY 1979. KU WAS IDENTIFIED TO THE FRENCH AS THE ECONOMIC SPECIALIST ON THE STATE COUNCIL CONCERNED WITH PLANNING. GROULT WAS NOT SURE OF THE PURPOSE FOR KU'S VISIT. HE SPECULATED THAT IT MIGHT EITHER BE TO DISCUSS OVERALL COOPERATION IN THE ECONOMIC AREA OR TO SUM UP THE RESULTS OF THE SECTORAL DELEGATIONS (WHICH IT WOULD PRESUMABLY FOLLOW) AND TO SIGN CONTRACTS.

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9. SCIENCE AND TECHNOLOGY AGREEMENT. DURING THE VISIT, TWO TWO FOREIGN MINISTERS SIGNED A SCIENCE AND TECHNOLOGY AGREEMENT IN A CEREMONY WITNESSED BY VICE PREMIER TENG HSIAO-PING, FOREIGN TRADE MINISTER LI CHIANG, BARRE AND ROSSI. GROULT SAID THIS AGREEMENT PROVIDES AFRAME-WORK FOR COOPERATION; DETAILS ARE NOT SPECIFIED AND WILL BE NEGOTIATED LATER. AFTER THE AGREEMENT HAS BEEN REPORTED TO THE EC, IT WILL BE PUBLISHED IN THE FRENCH GOVERNMENT OFFICIAL ORGAN. (ACCORDING TO ANOTHER FRENCH EMBOFF, THE CHINESE EXPRESSED INTEREST IN EXCHANGING DELEGATIONS IN BIOLOGY, GEOLOGY, AGRICULTURE, AND PHARMACOLOGY.)

10. OTHER AREAS. THERE WAS NOTHING NEW ON THE CONCORDE. THIS WAS DISCUSSED IN PARIS DURING THE LI CHIANG VISIT; THE CHINESE INDICATED THEN THAT THEY WANTED MORE TIME TO SEE THE "COMMERCIAL RESULTS" (I.E., ECONOMIC FEASIBILITY). GROULT EXPRESSED THE OPINION THAT "THEY WON'T BITE." GROULT WAS NOT AWARE OF ANY DISCUSSIONS DURING THE BARRRE TRIP ON OTHER TYPES OF AIRCRAFT, AIRFRAMES, OR HELICOPTERS. GROULT THINKS THE CHINESE ARE INTERESTED IN BUYING MORE CHEMICAL FERTILIZER PLANTS, AND HEURTY IS--NEEDLESS TO SAY--ANXIOUS TO SELL.

11. COMMENT. GROULT SEEMED QUITE SATISFIED WITH THE COMMERCIAL RESULTS OF THE BARRE VISIT. ALTHOUGH NO CONCRETE BUSINESS WAS CONCLUDED (OTHER THAN THE SPARE PARTS FOR THE FERTILIZER PLANTS), THE FIVE SECTORAL DELEGATIONS ARE ALL IN AREAS WHERE THE CHINESE ARE LIKELY TO MAKE LARGE PURCHASES THIS YEAR OR NEXT. THE FRENCH GOVERNMENT APPEARS TO HAVE CAPITALIZED ON THE BARRE VISIT TO PUT ITS FIRMS IN AN EXCELLENT POSITION TO COMPETE FOR THE CHINESE PURCHASES, THUS FORESHADOWING

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SIGNIFICANT IMPROVEMENT IN THE TRADE IMBALANCE THE
FRENCH HAD WITH PRC IN 1977.

12. THIS MESSAGE CONTAINS SENSITIVE COMMERCIAL INFORMATION
WHICH SHOULD NOT BE DISCUSSED OUTSIDE USG.
WOODCOCK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIME MINISTER, HEAD OF GOVERNMENT VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PEKING00279
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780044-0383
Format: TEL
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978018/aaaaagai.tel
Line Count: 181
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f7a0eae4-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3798560
Secure: OPEN
Status: NATIVE
Subject: PRIME MINISTER BARRE VISIT TO PRC: COMMERCIAL ASPECTS
TAGS: ETRD, CH, FR, (BARRE, RAYMOND)
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/f7a0eae4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014